NOTES RE ESTABLISHMENT OF FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

1. General

- H. R. 6357 had the following primary purposes:
 - a. Consolidation of the Consular and Diplomatic services into a Foreign Service;
 - b. Increase in salary scale for Foreign Service;
 - c. Provision for representation allowances for Foreign Service personnel; and
 - d. Establishment of a retirement and disability fund for members of the Foreign Service.

A review of the House debate and Congressional reports indicates that primary stress was laid on the first three objectives listed above. It may be assumed that the somewhat minor discussion of the proposed retirement system can be attributed to the excellent actuarial presentation since the fund came very close to being set-up as a "self-sustaining" fund. The remarks of Representative Madden (Attachment 1) are representative of the comments regarding the fund. Complete actuarial data may be found in the statement of the Hon. Wilbur J. Carr, Director of the Consular Service. (See Hearings on H. R. 17 (predecessor bill to H. R. 6357), 68th Congress, 1st Session, Part 4 -- January 17 and 18, 1924).

2. State Department Position

It appears that the State Department was primarily concerned with problems attendant with the retention of personnel of advanced age, i. e., impairment of the efficiency of the services and curtailment of opportunities for advancement for younger men of the services. See remarks of Secretary Hughes and the Hon. Wilbur J. Carr. (Attachments 2, 3, 4 and 5).

3. General Justifications

General arguments supporting the establishment of a separate retirement system are reflected in the statements of the Hon. John W. Davis; Representatives Rogers, Moore, Linthicum and Brown; and of Secretary Hughes with a recognition of the "peculiar requirements" of a foreign career by President Coolidge. (See Attachments 6, 7, 8, 9, 10, 11, and 12). These statements relate to such considerations as:

- a. Incentive of a retirement competency to attract and hold good personnel;
- b. Difficult and hazerdous service performed;
- c. Difficult and unsettled changes in mode of life;
- d. Hardship posts;
- e. Special educational requirements;
- f. Unsuitability for another career upon completion of service; and
- g. Peculiar requirements of a foreign career.

4. Special Arguments

Arguments of some interest to be noted are those comparing the non-contributory retirement systems of the armed services of our country and of the English foreign service. Although these arguments did not prevail, some adaptation of them might again be utilized. (See attachments 7 and 8).

NOTE:

S. Rept. 532 to accompany H. R. 6357 submitted by Senator Lodge was substantially the same as H. Rept. 157. There were no debates on the floor of the Senate on this legislation.

HOUSE DEBATE ON H. R. 6357 - Wednesday, April 30, 1924 Vol. LXV - Part 8, Congressional Record

Mr. Madden of Illinois:

There is one other feature of the bill that I think is important, and that is the retirement feature of it. The men who are engaged in these services under this law, if it is evaluated, will be required to pay substantially all that will be necessary to pay the retirement compensation. I believe that this is the most salutary feature of the law, because after men have given their whole life to the Government without any hope or opportunity of accumulating a competence to care for themselves in their old age, they should be entitled to a retirement compensation which will provide for them in their late days in life, and if they are willing themselves during the course of their service to make the contribution to the fund from which they are to be paid and these contributions are adequate to meet the payment, why, they are simply using the Government in such a case as the depository for the funds which they themselves have taken from their salaries. (Page 7574)

NOTE:

For further information re the retirement fund, see attachments 3, 4 and 9.

(2)

HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Excerpt from letter from Secretary Charles E. Hughes to Rep. Rogers, dated 13 October 1922:

career of maintaining the desired standards of efficiency. It is therefore necessary to provide for the retirement of these officers; and in view of the fact that both branches of the service are well established on a civil-service basis, it appears feasible to bring them under the provisions of the civil service retirement act of May 22, 1920, modified as to the age of retirement, the rate of contribution, and the rate of annuity as proposed in the bill. . . .

No proposal in connection with the improvement of the foreign service commends itself to my judgment with greater force than that of a suitable retirement system so essential to efficiency as well as to those interests of the officers affected thereby

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HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Excerpt from letter from Secretary Charles E. Hughes to Pres. Coolidge, dated October 8, 1923:

have been on a civil-service basis, there are a number of positions, especially in the Consular Service, being held by officers advanced in years whose retention impairs the efficiency of the service as a whole. It has become urgently necessary to provide for the retirement of these officers, and in view of the fact that both branches of the service are well established on a civil-service basis it appears feasible to bring them under the provisions of the civil-service retirement act of May 22, 1920, modified only as to age of retirement, the rate of contributions, and the rate of annuity. The immediate benefits of such an enactment would be appreciable. In fact, no proposal in connection with the improvement of the foreign service commends itself to my judgment with greater force. The inaugaration of the system of retirement upon annuities would entail no additional appropriation, it is estimated, until 1936 . . .



HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Excerpt from "Recommendations for Reorganization of Foreign Service," (by Hon. Charles E. Hughes, Sec. of State)

. . . The conditions just described are further aggravated by the fact that as both the Diplomatic and Consular Services have operated on a civil-service basis for a number of years, many positions in the higher grades are now occupied by men of advanced age who cannot be removed to make way for younger and more efficient officers. There is no provision for their retirement and yet, as their numbers increase from year to year these superannuated officers clog the service, cutting off promotion from all below them

The bill likewise provides a retirement system designed to relieve the service of its burden of superannuated officials and to offer assurances to efficient men in the service that if they stick by their posts of duty the Government will not permit them to face old age and disability without a penny. The retirement provision is based upon the civil-service retirement and disability act of May 22, 1920, from which it necessarily differs by adaptation in a few particulars. The rate of contribution is 5 per cent of the basic salary instead of 2 1/2 per cent; the age of retirement is 65 years, though the President may continue an efficient officer on active duty for an additional period of five years in the public interest; the rate of annuities is based on the same classification as length of service and the same percentage of basic salary as that prescribed in the existing law, but the arbitrary maximum and minimum limitations on annuities are removed. The report of the actuaries on the retirement provision is very favorable, showing that the annual cost to the Government would not exceed the annual cost to the men, that the system would be self-sustaining, requiring no appropriation for the first 20 years or more. Eventually the cost to the Government will be only 28 per cent, while the service itself will defray 72 per cent of the expense.

HEARINGS BEFORE THE COMMITTEE ON FOREIGN AFFAIRS U. S. CONGRESS, HOUSE OF REPRESENTATIVES 68th CONGRESS, 1st SESSION

ON

H. R. 17
January 17 and 18, 1924
Part 4

Hon. Wilbur J. Carr (Director of the Consular Service, State Department):

My point is that the efficient operation of these corporations* has made it necessary for them to make provision to get rid of the men who have served during their period of efficiency, and that is precisely what we wish to do, to find a humane and fair method of getting out of the service those men who have passed the period of efficiency and putting in their places bright, wide-awake younger men who can carry on and keep the service up to the proper standard of efficiency. It is for the benefit of the Government that this retirement system is proposed and not merely for the benefit of the men.

* speaking of business corporations

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HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Extracts from testimony of John W. Davis, formerly Ambassador to Great Britain:

Granted adequate pay or reasonable pay, granted a reasonable chance for promotion as a recognition of merit, and then granted a retirement allowance which will enable a man when he is no longer useful to be assured against want, you will not only get good men but you will be able to retain them, because the foreign service does offer, of course, a great many things that are attractive. . . .

HOUSE DEBATE ON H. R. 6357 - Wednesday, April 30, 1924 Vol. LXV - Part 8, Congressional Record

Mr. Rogers of Massachusetts:

There never has been a retirement system for the foreign service. We retire our Army officials and our Navy officials. We retire our judges. We retire all these three services without exacting any contributions from the beneficiaries. We retire the civil-service employees of the Government, but we exact 2 1/2 per cent from these men out of their annual salary. In this bill we say that the principle of retirement is so firmly established in this country in almost every other Government activity that there seems no reason why we should not extend it to this additional realm of Government activity.

We say this -- and in my judgment it is too niggardly, but we wanted to present a bill that would certainly meet with the approval of the House -- we say to the foreign service men 'you must contribute 5 per cent of your salary.' I think the analogy of the foreign service officer to the Army officer and to the Naval officers much more complete than to the civil-service employee in Washington.

The foreign-service officer is going hither and yon about the world, giving up fixed places of abode, often rendering difficult and hazardous service of prime importance to the United States. Yet we say that we will not treat him as we do the Army and Navy, which are upon a noncontributory basis. We will not do for them what Great Britain does, by retiring her foreign-service men on two-thirds pay without exacting contributions. We will not even do what we do for the civil-service employees of the Government in requiring them to pay but 2 1/2 per cent. What we do for the foreign-service officials is to take 5 per cent of their salary, but on the other hand -- and I think you will agree that we could not do less -- we remove the artificial provision which provides a maximum annuity of \$720.

Mr. Celler of New York:
You make the retiring age 65 years?

Mr. Rogers: Sixty-five.

Mr. Celler:

And the clerk in Washington in the field service is retired at 70 years of age?

Mr. Rogers:

There is an added provision that the Secretary of State may retain any man for five years if he finds it wise for the country to retain him.

I call to the attention of the gentleman the fact that the kind of service which these men must render involves going to the Tropics; it involves very difficult and unsettling changes in the mode of life. The consensus of opinion was that the country was better off to retire them, as a general rule, at 65. (Applause). (Pages 7564 - 7565)

Attachment 7

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Mr. Moore of Virginia:

- . . . Mr. Davis * in his testimony says that young men continually came to him at his office in London and asked whether they should remain in the foreign service, and he always inquired as to their pecuniary condition. We want to cut out the necessity of that by paying men fair salaries and fairly assisting them after they are compelled to retire.
- . . . If this bill is passed the retirement provisions will be less liberal than those that are made for the Englishman. The Englishman who enters the foreign service receives a larger retirement allowance and is not required to make any contribution to it; and the law of England does one thing that is not contemplated here, namely, it makes special provision for the men of that nation who serve in countries where climate conditions injuriously affect their health so that they are compelled to forego any active work. (Page 7567)
- * Mr. John W. Davis, former ambassador to Great Britain



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Mr. Linthicum of Maryland:

I believe the adoption of this bill will establish our foreign relations upon a different basis and give us a greater and more efficient and more enduring service abroad which must benefit our foreign trade.

What I mean by more enduring is this: We have provided for retirement, and by doing so a man can enter the foreign service and he knows that that is his life's work if he so desires. He can have it until he is 65 years of age, and if he has performed 15 years' service he can retire with a substantial allowance. So I believe that while young men now enter the service and continue therein a certain time and even have to do what many Members of Congress are compelled to do, leave the service and go back home in order to provide for a competency, with this retirement feature they know that in the years to come they will have a retirement competency upon which to live. For this reason they will continue in the service and make it a life work, a more enduring work... (Page 7568)

Mr. Linthicum:

... Our farmers are suffering today. Why? Because we have not sufficient foreign markets. I believe that if we encourage this foreign service, give them efficient men and sufficient salaries on which to live, give them retirement which guarantees a competency when they are too old to work, that these men will go out and get the trade for the United States, and the trade in our foreign markets will rapidly increase. . . . (Page 7568)

Mr. Linthicum:

... Now, as to the retirement, I do not believe the retirement feature is really going to cost the country anything, because, as the gentleman from Virginia (Mr. Moore) said, after the first appropriation of \$50,000 made in the bill, then there will be no further necessity for appropriations for 20 years, and then probably about \$48,000. I believe that the increased business that the Consular Service will bring will more than take care of its total expense including the retirement fund

We have recently established a very satisfactory retirement system for our civil employees in this country, and yet there is great opposition when we attempt to establish such a system for those of the foreign service, who are separated from their homes in America, sent to foreign fields and shifted from place to place, thereby preventing them from either establishing a permanent home or making those necessary savings for old age.

I feel that if we can establish our foreign service on a basis of satisfactory salaries, with representative allowance where deemed advisable, and then afford them retirement with a competent fund, we will not only draw good men into the service, realizing it would be a life work in the interest of the Government, but we will also build up such a system as will not alone reflect great credit upon our country but at the same time great markets for our products. . . . (Page 7569)

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Mr. Browne of Wisconsin:

... It takes a splendid education to enter our foreign service, and as the service is today, without any retirement features and with the small salaries, it offers no inducement to young men without an independent fortune; the result is that only men of wealth are entering our public service, which is absolutely undemocratic and un-American. By this bill we make it possible for young men of good education and ambition to enter the foreign service, with the possibility of promotion and with the satisfaction of knowing that when they reach 65 years of age they can be retired with a fair annuity. (Page 7576)

HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Extract from statement of Hon. Charles E. Hughes, Secretary of State:

But it is not enough to give them a mere living wage as they go along. Having entered this service as a career, it means that when they get through they are unfitted for anything else. They are down and out. Under no salary scale that this Government will ever give, certainly not under the one that is here suggested, will anybody lay up money. They cannot do it.

What are they going to do when they come to 65 years of age, after thirty-odd years in the service? They cannot go into anything else; they are through. There ought to be some provision for retirement allowances...

There have been various suggestions in regard to this retirement provision, which I will not attempt to discuss. That can be put upon an actuarial basis, and I believe the actuary has made a report which will show just what can be accomplished in that direction. It will not be a serious matter for the Government; it will be a great reinforcement of the service itself

HOUSE REPORT NO. 157 - To Accompany H. R. 6357 Submitted by Mr. Rogers of Massachusetts

Excerpt from letter to Rep. John Jacob Rogers from Pres. Calvin Coolidge, received December 14, 1923:

. . . In view of the peculiar requirements of the foreign career and the length of time that the service has operated on a civil-service basis the retirement provision would appear to be of special importance in accomplishing the objects sought